CHAPTER 900 - CASH MANAGEMENT

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900 INTRODUCTION TO CASH MANAGEMENT

901 Purpose. To establish policy, procedures and responsibilities for agencies to follow to ensure effective and efficient management of funds received and/or disbursed by the Department of Labor.

902 Scope. This chapter prescribes the procedures for agencies to ensure effective and efficient management of funds when developing and implementing regulations, systems and instructions. The procedures described in this chapter apply to the following Cash Management activities:

- Billings;
- Collections;
- Deposits; and
- Disbursements.

903 Legislative Authority and Directives. The following laws and related regulations are authorities for establishing the policies for developing, promulgating, and implementing cash management regulations in the Department of Labor:

- 5 U.S.C. 301
- 31 CFR 321, 3301, 3302, 3720, 6503
- 31 CFR 1535
- The Budget and Accounting Procedures Act of 1950
- Treasury Fiscal Requirements Manual
- OMB Circular No. A-125 (Rev.) Dec. 12, 1989
- GAO's Policy and Procedures Manual for Guidance of Federal Agencies
- Federal Claims Collection Act (31 U.S.C. 3711)
- Federal Claims Collection Standards (4 CFR 101-105)

- Prompt Payment Act of 1982 (Public Law 97-177)
- Prompt Payment Act Amendments of 1988
- The Collection and Deposit Legislation Act
- Deficit Reduction Act of 1984 (Public Law 98-369) (31 CFR 206)
- Cash Management Improvement Act of 1990
- Debt Collection Act of 1982

910 AUTHORITY, POLICY AND RESPONSIBILITIES

CHAPTER 900 - CASH MANAGEMENT

911 Authority. The statutes, regulations and directives outlined in paragraph 903 provide guidelines for establishing and maintaining effective cash management practices in the Department of Labor.

912 Policy. The Treasury Financial Requirements Manual (TFRM) Parts 4, 5, & 6 and the Treasury Financial Manual (TFM), Transmittal Letters are used by the Department of Labor as guidelines for establishing and monitoring agencies' cash flow activities in the Department. The information identified in this chapter supplements the TFM and should be used as Departmental cash management policies and procedures. Therefore, agencies are encouraged to use this chapter for assistance when establishing either new or updating old cash flow policies.

913 Responsibilities

a. The Chief Financial Officer (CFO) is responsible for establishing and implementing cash management policies in the Department, coordinating with the Department of the Treasury (Treasury) to specify the conduct of cash management reviews by agencies and the Office of the Assistant Secretary for Administration and Management (OASAM) regional finance offices, keeping abreast of technological advances in cash management, informing Agency Heads of changes in Treasury policies and procedures as well as technological changes, reviewing agencies' cash flow activities, and monitoring agencies' performance in accordance with the Prompt Payment Act.

b. Agency Heads are responsible for appointing a cash management officer for their agency, conducting periodic reviews of cash management techniques in compliance with the regulations that are provided in Treasury's Financial Manuals and this chapter, monitoring payment in accordance with the Prompt Payment Act, implementing cash management improvements, and reporting cash management activities to the CFO for the Department.

c. OASAM Regional Administrators are responsible for maintaining adequate internal controls over cash and making sure that collection and disbursement transactions are in accordance with Department and Treasury policies.

d. The Office of Inspector General (OIG) is responsible for auditing cash management practices within the Department periodically and ensuring that cash management audit results are communicated to OASAM and appropriate agency officials.

920 RECENT LEGISLATIVE REQUIREMENTS

921 Cash Management Improvement Act of 1990 (H.R.4279). The purpose of this Act is to ensure greater efficiency, effectiveness, and equity in the exchange of funds between the Federal Government and the States. In accordance with this Act, the Secretary of Treasury can require a State to pay interest to the United States on funds from the time funds are deposited by the United States to the State's account until the time that funds are paid out by the State in order to redeem checks or warrants or make payments by other means for program purposes. This Act also requires that if a State disburses its own funds for program purposes in accordance with Federal law, Federal regulation, or Federal-State agreement, the State shall be entitled to interest from the Government from the time the State's funds are paid out to redeem checks or warrants, or make payments by other means, until the Federal funds are deposited to the State's bank account.

922 Prompt Payment Act and Related Amendments (P.L. 97-177). The Prompt Payment Act prescribes policies and procedures for paying proper invoices under Federal contracts. This Act provides for timely payment which should lead to better relationships with contractors, improve competition for Government business, and reduced costs to the Government for property and services. Additionally, the Act requires agencies to be responsible for making timely payments, taking discounts when applicable, and paying interest penalties on late payments of proper invoices.

923 Collection and Deposit Legislation Act. This Act gives Treasury the authority to assess a charge against an agency's appropriation or the program to which the collections relate due to noncompliance in implementing a proven cost beneficial deposit mechanism. The amount of the charges are determined by the Department of Treasury and deposited in the Cash Management Improvement Fund. This fund is used for the payment of expenses incurred in developing deposit mechanisms such as: electronic transfers, automatic withdrawals from accounts at financial institutions, or a system under which financial institutions receive and deposit funds on behalf of the Department.

930 ACCOUNTING REQUIREMENTS. Agencies are responsible for establishing effective accounting control over cash management activities. Such controls should be from a prospective basis and should consist of but not limited to the following:

931 Accounts Receivables. Under the accrual basis of accounting, receivables representing amounts due from others are accounted for as assets from the time the events giving rise to such claims are completed until the time they are collected, converted into other resources, or determined to be uncollectible in whole or in part. Because accounting for receivables is such an important form of control over agency resources, agencies' Servicing Finance Offices (SFOs) should resolve any outstanding accounts receivable due from other Federal agencies, local, state, and foreign Governments, and from individuals and private sector organizations. Such accounting controls should include:

a. Accounts receivables shall be recorded accurately and promptly on completion of the acts which entitle an agency to collect amounts due from billing for performance of services, assessment of civil fines and penalties, sales of materials, loans, overpayments and audit findings, etc.

b. Amounts to be accounted for as receivables shall consist of the amounts actually due under contractual or other arrangements governing the transactions which result in receivables.

c. Accounting records for receivables shall be maintained so that all transactions, and only such transactions, affecting the receivables for each reporting period are included.

d. Separate accounts for major categories of receivables should be maintained to facilitate clear and full disclosure of an agency's resources in its financial report.

e. Accounts receivables balances should be reviewed periodically for items outstanding longer than the normal period.

f. Delinquent accounts and related aging information should be brought to the attention of the agency administrative officer at least monthly.

g. DOLAR$ Procedures, Vol. I, Operating Procedures Handbook, Chapter 23, provides criteria for recording receivables in DOLAR$.

932 Accounts Payable. Amounts owed for goods and services received and not yet paid for are considered liabilities and should be recorded in DOLAR$ as accounts payable. Other amounts owed at the end of the accounting period under programs for which no further performance of services by payees is required (such as annuities, insurance premiums, and some cash grants) are also called liabilities and should be recorded in DOLAR$ as an accounts payable.

a. Accounts payable reports should be monitored to assure that payments are made on time to take advantage of discounts and to avoid paying interest penalties when payments are late.

b. Payments on amounts owed to other Federal agencies, vendors, individuals, private sector organizations, state, local, and foreign governments should be scheduled in accordance with section 944 of this chapter.

c. DOLAR$ Procedures, Vol. I, Operating Procedures Handbook, Chapter 19, provides criteria for recording receivables in DOLAR$.

933 Monitoring of Federal Outlays

a. The Office of Management and Budget (OMB) Circular A-34 part IX, provides for the preparation and submission of monthly outlay reports by the Department to the OMB. Outlays are obligations that are liquidated when checks are issued or cash disbursed. The outlay reports are designed to assist in the continuing effort to monitor Federal spending, thereby improving the Government's overall cash position.

b. The Department prepares a monthly outlay plan for each new fiscal year showing information for each program and/or account listed for the Department or that of the annual budget documents, and includes outlay information for all appropriations and funds (except deposit funds) administered by the Department or Agency. Periodic reports are also submitted on the plan.

c. The estimates reported should be based on the best current judgment of the amount to be spent by month in the period(s) covered by the report and should:

(1) Be consistent with the President's most recent annual budget as amended and subsequent actions of the Congress, including both completed actions and those now expected.

(2) Consider recent trends and expected events on a realistic basis.

d. A brief statement explaining the assumptions used in developing the outlay plan, together with any unusual or special circumstances affecting the plan are included with each outlay report. In some instances, the statement should:

(1) Enumerate expected Congressional actions.

(2) Provide the estimated participant rates in benefit programs.

(3) Show the settlement dates of specific asset sale programs.

(4) Discuss any event that causes specific fluctuations in the normal outlay pattern.

(5) Describe the effect on the outlay pattern if expected actions fail to materialize.

e. OMB reviews the Department's outlay plans for reasonableness in the light of experience, consistency with the President's policies and objectives, enacted appropriations and other legislation, and other factors. When conditions warrant, the OMB may request that revisions be made in the outlay plans.

f. The Department prepares a monthly outlay plan for each new fiscal year and submits periodic reports on any revisions to that plan. Data contained in these reports are identical to the coverage in the annual budget documents and include outlay information for all appropriations and funds administered by the Department.

(1) Initial Reports. An initial report in the prescribed format is submitted to the OMB in an original and one

copy by October 1 of each year. This report provides monthly outlay estimates for the fiscal year that begins on that date, and for September of the prior fiscal year.

(2) Updated Reports. These reports are submitted throughout the current year with coverage expanded to include the first quarter of the budget year. Following the initial submission, the updated reports begin with a cumulative total of actual outlays to date followed by updated monthly outlay estimates for the balance of the period(s). Agencies should reconcile significant differences between previously reported estimated outlays and revised estimates or actual outlays and explain these changes in the accompanying statements. Additional updated reports may be requested at other times.

940 INTERNAL CONTROL REQUIREMENTS. Agencies in the Department should maintain a system for monitoring cash flow activities to ensure compliance with this chapter. This system should provide for periodic, but no less frequent than annual, review of the agency's cash management practices.

941 Billings

a. Preparation of Invoices. In accordance with chapter 800, section 8020 of the I TFRM, agencies are responsible for the preparation of invoices for goods or services furnished to individuals and organizations outside the Department. Agencies must ensure that the preparation and dispatch of each invoice is no later than one working day after the day the billing office is advised that goods have been shipped or released or the services completed.

b. Preparation of Contracts. Contracts under which goods or services are sold to an organization outside the Department shall include payment terms and provisions which at a minimum specify when payment will be due, require that payment must be received no later than the due date, and provide for late charges for payments received after the due date. The payment due date shall not be more than 30 days from the date of the invoice.

c. Charges for Late Payments. Payment of amounts owed the Department by organizations, businesses, and individuals are expected to be made in accordance with the terms of the arrangement for payment stated in the contract, agreement, or notification of indebtedness. Collection of late payments should be made in accordance with DLMS 6, chapter 1100. If payment is overdue, a late charge must be applied and collected at a percentage rate that is provided in TFRM bulletins distributed by Treasury. This rate is an annual rate subject to quarterly revisions, and is applied to overdue payments during the succeeding calendar quarter. Treasury determines the percentage rate by calculating the average of the current value of funds to Treasury for a recent three month period. Additionally, the CFO periodically issues to Agency Administrative Officers a cumulative list of interest rates that apply to various statutes. Agencies are required to use this list when charging interest on late payments for each 30-day period. Unless an agency has statutory authority to otherwise account for the collection of charges for late payments, the total amount collected should be credited to a miscellaneous receipt account titled "Miscellaneous Interest Collections Not Otherwise Classified," or to specific accounts established by the Treasury for the collection of interest. Agencies should refer to DOLAR$ Procedures, Volume I, Operating Procedures, Chapter 23, for the correct account for recordation of receipts and interest payments received.

942 Collections

a. Agencies that receive significant amounts of checks and cash should have a collection plan which is a part of overall forecasts and consistent with the Agency's objectives, strategies, program plans and budget. Listed below are some guidelines for agencies to use when developing a collection plan.

(1) Collection schedules and control systems for billing and cash processing should be established in writing.

(2) Economic factors, including the time value of money, should be considered in development of billing cycles and collection procedures. The importance of prompt collection and deposit of cash should be recognized.

(3) Procedures should be established for regular comparison of actual with planned collections.

(4) The causes and impact of significant variances

from planned collections should be evaluated and plans or collections adjusted when necessary.

(5) Whenever possible, collection of cash and checks for liquidation of accounts receivable are based upon billings issued at the end of the month in which the account receivable was established.

b. Agencies should minimize the handling of checks and cash they receive by identifying potential improvements related to their collection process. Several cash flow mechanisms are available through Treasury that allow agencies to minimize the handling of checks and cash received, and improve the acceleration of deposits to a Treasury account. Some of these cash flow mechanisms are:

(1) <u>Lockbox</u>. Payments are mailed to a specified post office box which is usually located at a financial institution under contract with Treasury. The financial institution deposits the payment in a Treasury account and wire transfers the funds to a Federal Reserve Bank the next business day. At least monthly or in accordance with the contract, the contracted financial institution must furnish agencies with reports of cash disbursements and balances.

(2) <u>Automated Clearing House (ACH)</u>. An electronic link between the Federal Reserve Communications System and the Federal Reserve Bank that allows payees to direct their commercial banks to charge their bank accounts and transfer payments directly to Treasury's main account.

(3) <u>Credit Cards</u>. A Credit Card Collection Network (CCCN) enables agencies to accept credit card charges in lieu of cash, checks and money orders. The financial institution under contract with Treasury and selected by the agency deposits funds that are collected by charge card recipients into a Treasury's account at the Federal Reserve Bank.

c. Cash receipts that are received (including by mail) should be examined in the presence of more than one individual. Supervisors should observe all clerks handling cash receipts so that questions about disposition and routing can be answered. This also serves to minimize the allegation problem should a cash shortage occur. Where having more than one individual present is operationally not feasible, agencies should discourage the use of cash for payment. Agencies should develop additional procedures that separate duties among their employees to control the collections of cash and cash receipts. Such procedures should consist of the following:

(1) Controlling Cash Received. Agencies should designate an individual at each location receiving cash or checks to be responsible for recording and logging in receipts. A current list of these individuals should be maintained in the National Finance Office of each agency. The rest should be updated annually. This individual is responsible for recording in the Cash Receipt Register-- the payee's name, date and amount of the cash receipt that was received. The ledger must reflect the current status of each item from time of receipt to time of transmittal or deposit. Cash should be recorded immediately and deposited at a depository in accordance with section 943. Agencies not authorized to deposit funds at a depository should forward their cash receipts to an agency that is authorized to make deposits.

(2) Maintaining Cash to be Deposited. Agencies authorized to deposit funds at a depository should designate in writing a Collection Officer (CO) in each location to be responsible for collecting and recording cash receipts received, and maintaining cash in a safe and secured place until time of deposit. A current list of these individuals should be maintained in the National Finance Office of each agency. The list should be updated annually. The CO must provide a receipt to individuals for the amount of cash received. A copy of the receipt is also provided to the CO's supervisor to use when reconciling monthly the cash receipt ledger with Treasury's Form TFS-6655, Receipt Account Ledger.

(3) Segregation of Duties. Individuals responsible for handling cash receipts should not participate in the accounting or operating functions related to shipping and billings of goods and services, controlling accounts receivable and subsidiary ledgers, preparing and mailing statements of balances due, authorizing and approving credits for returns and allowances, or making adjustments of amounts due.

(4) Safeguarding Cash Receipts. All cash and check receipts shall be retained under the exclusive control of the CO,

in a safe or file cabinet with at least a bar and combination lock. A duplicate combination number or key to the lock on the safe or file cabinet should be maintained by the CO's supervisor in a separate and secure location.

(5) Cash Receipt Register. The basic cash control record for recording cash or checks received in the Department is form DL 1-301, Cash Receipts Register (CRR). The CRR enables individuals to record all cash receipts and their disposition. All entries provided on the CRR should be in ink. Erroneous entries should be lined out rather than erased or obscured and initialed by the individual making the adjustment. The CRR should not be destroyed until after two years from the date of entry.

(6) Cash Transfer Receipt (CTR). Form DL 1-303 Cash Transfer Receipt, should be used when cash is physically transferred from one organization to another. The CTR enables all individuals handling cash to establish point-to-point responsibility for all cash items. When cash leaves the control of an individual for any reason, the CTR on file constitutes formal evidence that another individual or organization received the cash and assumed responsibility therefor.

943 Deposits

a. Processing Deposits. Deposits made into a Treasury account as general fund miscellaneous receipts can be withdrawn only as a consequence of appropriations made by law. Since deposits related to refunds or reimbursements can be credited to several different appropriations, care should be taken to ensure that collections are recorded to the proper account. Agencies that are unable to identify the proper appropriation to credit a deposit should contact the CFO office.

b. Frequency of Deposits. Agencies must deposit their funds at a financial institution no less frequently than weekly, regardless of the amount. However, collections that accumulate to $1,000 or more should be deposited immediately. Additionally, regardless of the amount, agencies should ensure that funds received prior to the end of the fiscal year be deposited and credited to that fiscal year's appropriation. Funds collected by agencies that cannot be identified or immediately credited to the proper account must be deposited in the agencies' deposit fund suspense account until such collection can be identified.

c. Internal Review. Agencies should periodically review deposit operations to ensure that administrative examinations of deposits are made in accordance with this chapter. During the review, agencies should also perform a systematic examination of receipt transactions to verify their legality, propriety, and correctness. Furthermore, agencies are responsible for maintaining records of all deposits including funds deposited by outside agencies. Therefore, records maintained by agencies should include collections that have not been deposited, deposits in transit that have not been acknowledged by the depositor, and deposits that have been acknowledged by depository.

d. Deposits of Treasury Checks. Payments received from other Federal agencies to the Department in the form of Treasury checks should be deposited at the nearest Federal Reserve Bank. This procedure avoids the flow of funds outside the Federal Government. The TFM Section 5-2000-7, provides a list of Federal Reserve Banks.

944 Disbursements

a. Developing a Disbursement Improvement Plan. Each Agency should develop and maintain a plan that is consistent with the Agency's and departmental Cash Management objectives, strategies, program plans and budget. Listed below are some guidelines for agencies to use when developing their plan.

(1) A payment schedule and control system for payments not made through A/P should be established and followed with payments generally being made at the time they are due. (See Prompt Payment, Section 950)

(2) Cash discounts should be taken only when the discount is advantageous to the Government (see I TFM6-8040.30).

(3) Procedures should be reviewed to assure that payments to small vendors and for occasional purchases are not delayed beyond the due dates.

(4) Maximum use should be made of automated disbursements techniques and other established procedures for

managing the timing and control of payments for all DOL programs.

(5) Procedures should be established for regular comparison of actual disbursements with planned outlays. (See Monitoring Federal Outlays, Section 933)

(6) The causes and impact of significant variances from disbursement plans should be evaluated and adjusted when necessary.

(7) Segregation of duties should be strictly observed for computer operations personnel, software maintenance specialists and accounting personnel when disbursements are made by automated systems.

(8) Disbursing operations should be separated from such operations as purchasing, receiving, and accounting.

(9) The plan should be maintained in each agency national finance office. Progress against the plan should be reported to the Chief Financial Officer in July of each year to serve as a basis for the Chief Financial Officer's Report and reporting under the Federal Managers Financial Integrity Act.

b. Requirements for Disbursements. Documents supporting disbursement transactions must be in the form of a hard copy or machine readable source records, including purchase orders, contracts, receiving reports, invoices, bills, statements of accounts, etc., showing sufficient information to adequately account for the disbursements. The documentation should link all supporting records, enable audit of the transactions, and assure settlement with the certifying or disbursing officers as required by this chapter. Additionally, an SF 210 "Signature Card for Certifying Officer" and the SF-1194 "Authorized Signature Card for Payment Voucher on Letter-of-Credit" must be prepared by the Agency Head for employees who are authorized to certify an SF-1166 "Voucher and Schedule of Payments" or an SF-1193A "Letter of Credit." Certifying Officers are responsible for certifying the above standard forms in accordance with 31 U.S.C. 82 and should not be involved in recording accounting data in the Department's accounting system.

c. Separation of Duties for Disbursements. To the extent practicable, key duties and responsibilities such as authorizing, processing, recording, and reviewing transactions should be separated to reduce the risk of error, waste, and wrongful acts. In automated systems, separation of duties should be achieved by the assignment of different responsibilities by function. For example, certain responsibilities should be assigned to computer operations personnel, software maintenance specialists, accountants, and accounting technicians. Agencies' responsibilities should also include ensuring that disbursing operations are separated from such operations as purchasing, receiving, and accounting, that internal controls and procedures are properly implemented, and that errors are promptly resolved.

950 PROMPT PAYMENT ACT

a. The Department of Labor strives to pay all of its bills on time, regardless of whether they are governed by the Prompt Payment Act (PPA). The PPA covers the majority of purchases made from commercial vendors, non-profit organizations, and state and local governments. (A detailed listing of items included in and excluded from the Act may be found in the Prompt Pay User Guide, found in Appendix A of this DLMS chapter.) In essence, the PPA requires Federal Agencies to pay their bills on time, to pay interest penalties when payment are made late, and to take discounts only when payments are made within the discount period.

b. The PPA defines default payment terms such as due date, discount period, late payment interest and additional penalties. These are used ONLY when no contract or specific purchase order terms have been specified. Payments made for purchases under contract, or with specific purchase order terms are still under PPA authority for reporting; they simply do not use the PPA default payment terms.

c. Required procedures based on OMB Circular A-125 (Rev. Dec. 1989) are discussed in the Prompt Pay User Guide, as are a number of other issues relevant to payment of commercial vouchers. The Guide is designed to provide easily retrieved information regarding all aspects of prompt pay.

951 Financial Systems and Record-Keeping

a. Department agencies should make as many payments as possible using automated payment systems. These systems should comply with PPA requirements (i.e. calculate due dates, interest and additional penalty amounts, discounts, etc.), readily supply information required for OMB reporting, and facilitate statistical sampling to verify data reported. Long term plans for the Department are to have all payments made through these automated payment systems. (See User Guide, p. 8).

b. There are three basic methods of payment in DOL today: automated payments using the Department's Accounts Payable (A/P) system; automated payments using program accounting bill-paying systems; manual payments using form SF-1166. Record-keeping and statistical sampling requirements differ based on how payments are being made as follows:

(1) A/P payments - Statistical sampling is done quarterly to verify the information reported from the system. No additional record-keeping is required.

(2) Program Accounting bill-paying systems (other than A/P, e.g. Federal Employees Compensation Act and Black Lung Systems)

(a) If the system tracks and reports OMB-required information, no additional record-keeping is required. Statistical sampling is done to verify the information reported from the system.

(b) If OMB-required information is not available on output reports from the system, data must be maintained separately. By sampling this data, information is generated for reporting needs. Specific data elements that need to be maintained are listed in the Statistical Sampling section of the User Guide (p. A-33).

(3) Manual payments using SF-1166 - Statistical sampling is performed to verify data if at least 300 payments are reported in a quarter by a servicing finance office. Verification is not required for less than 300 payments made by an individual servicing finance office. If more than 1000 payments are made quarterly, reported data may be generated through approved sampling techniques.

952 Prompt Payment Quality Control

a. Quality Control (QC) is a key element in ensuring compliance with the Prompt Payment Act, and securing the benefits it provides to the Department. A well-maintained quality control program provides quick identification of problem areas, and ensures the integrity of information reported.

b. There are seven key elements to the OMB criteria for assessing QC systems. Following are these elements and the DOL strategy for satisfying them.

(1) Sound written procedures are issued and followed. This portion of DLMS-6 chapter 950 covers Prompt Pay standards and guidelines for the Department. It is supplemented by the DOL Prompt Pay User Guide (Appendix A), which contains specific guidance for paying bills, reporting performance, and statistical sampling. Program agencies and regional offices should develop internal procedures to guide Prompt Payment and related bill-paying operations. A copy of all program-developed prompt payment procedures should be submitted to OFPS.

(2) Statistically valid random or other samples with established confidence levels are used to draw review cases. For detailed sampling procedures, see the User Guide (p. 33).

(3) QC reviews are conducted independently of the payment process, use original documents, and recalculate due dates, discount periods, etc., and are done periodically.

(a) Detailed sampling procedures are contained in the User Guide (p. A-33). This includes specific guidance regarding the review process, the use of original documents, and methods required for sampling and calculating data.

(b) The IG Audit and Office of Accounting Internal Review functions provide reviews of bill-payment activities throughout the Department. Invoices subject to Prompt Pay are examined during these reviews.

(4) Reporting and Review results are used by agency management to assess performance against established standards and ensure corrective action.

(a) Results of OA Internal Reviews and IG audits are provided for management use to ensure payments are being made in accordance with Prompt Pay regulations.

(b) The Office of Accounting reviews A/P payment information monthly and provides feedback to offices experiencing problems with timely payments.

(c) QPWM Prompt Payment reporting is reviewed by the Office of the CFO to ensure performance satisfies management objectives.

(d) Appropriate training must be made available for staff responsible for making payments subject to PPA.

(5) QC data is used to prepare annual reports to OMB.

(a) All data from the A/P system, from Program Accounting bill-paying systems, and from manual payment records is governed by these DOL QC criteria. This is the same information used to prepare the annual reports to OMB.

(6) The entire agency is covered. All bill-paying units within DOL are covered by either existing procedures or those discussed above as part of the QC project.

(7) Agency Inspector General (IG) validates the QC system. The IG has reviewed and approved the QC program.

953 Prompt Payment Performance Standards

a. The Department seeks to maintain an on-time payment rate of at least 95% for all payments subject to the Prompt Payment Act, increasing to 97% by 1995.

954 Reporting

a. There are three reports which must be developed regularly. They are the annual and quarterly OMB Prompt Pay reports, and the quarterly QPWM reports. For a detailed discussion of what data is included in these reports, see the Prompt Pay User Guide (pp. A-39 through A-43)

960 DISBURSEMENT OPERATIONS AND PROCEDURES. In accordance with the General Accounting Office (GAO), Title VII, Chapter 6, disbursement operations should be in conformity with the related principles and standards for accounting and administrative

internal controls, and in accordance with the Prompt Payment Act as implemented in OMB Circular A-125.

961 Priority of Disbursements. The relative priority of payments is determined by the Financial Manager, and may vary according to both internal and external factors. The SFO should strive to pay all obligations in a timely manner, including Travel Advances, Cashier (IMPREST) items, Travel Payments, Utility invoices, and Commercial Vouchers.

962 Types of Disbursements. All disbursements, except cash, shall be made by checks or electronic fund transfers drawn by authorized officers of the Treasury and designated depositaries such as commercial banks or banking institutions required by Treasury to hold Federal funds. The following types of non-cash disbursements are used in the Department:

a. The Accounts Payable (A/P) subsystem of DOLAR$ is designed to register and track invoices, manage cash, validate payee (vendor) information and prepare payment schedules. It is integrated with the Core DOLAR$ system for document control and general ledger posting. Key components of the system include:

- Automatic warehousing of payments.
- Scheduling the proper payment due date.
- Determining prompt pay penalty interest payments.
- Determining discount applicability.
- Entry or matching of vendor data to assure accurate routing and method of payment.
- Preparing and controlling the payments that liquidate payables approved for payment.
- Categorizing payment transactions as "payments in transit" pending receipt of Treasury confirmation of actual payment.
- Generating SF 1099 Forms at year-end for the IRS.
- Generating management data and reports.

Management reports are provided for late or penalty payments, discounts taken, payment transactions, and the preparation and control of the checks that liquidate payables approved for payment.

Payment transactions are matched to obligations and accruals. If this cannot be done, new obligations are created for the payments.

b. Vendor Express is an electronic fund transfer program in which Government vendor and miscellaneous payments are directly deposited into corporate accounts at financial institutions on the expected date, via the ACH network. The CFO office must designate a Central Payment Officer (CPO) to ensure that accurate payments are made to the proper vendors. However, the CPO should not be responsible for recording accounting transactions in the Department's accounting system.

c. A Manual Payment (Treasury Check) must be prepared on an SF-1166 in accordance with TFM Vol.I Chapter 4 2060. Amounts authorized for payment must be in accordance with the payment information certified on vouchers or voucher schedules, and such controls should include procedures for proper custody, signing, and delivery of checks.

d. Wire Transfer (FedWire) is an electronic funds transfer system that provides advance financial commitments to organizations performing grant or contract work for the Department. Agencies should ensure that the timing and amount of cash advanced by wire transfer be as close as is administratively feasible to the actual disbursements by the recipient for program cost. Additionally, organizations requesting excess funds are required to refund the Department promptly the excessive cash and any interest earned on the amount advanced.

e. Payment Management System (PMS) is the Department of Health and Human Services, Division of Federal Assistance Financing (DFAF) system which provides a full service grant and programs payment capability that DOL employs for its grant program. The DFAF system services include the processing of all financial transactions from awards through closeout of the grant accounts. In accomplishing these tasks, the DFAF system uses its PMS that operates in an IBM environment at the National Institutes of Health (NIH), and employs data base management technology and enhanced telecommunications. Of particular importance is the on-line capability that PMS provides for a grantee to request funds, and the subsequent electronic draw down and distribution of those funds through the Automated Clearing House (ACH) process. Besides satisfying DOL's disbursement requirements, including the monthly SF-224 reconciliation with

Treasury, PMS also distributes, collects, and records the Federal Cash Transaction Reports that are submitted by the grantee on a quarterly basis.

f. International Merchant Purchase Authorization Card (IMPAC) is a GSA contractor issued charge card to be used for making small purchases up to an amount to be determined by the Department. Policies and procedures on the use of IMPAC are available in the Department's memorandum dated May 18, 1989 on "Procedures for Use of Credit Cards for Small Purchases." Agencies should review summary statements pertaining to transactions of all charges with copies of each cardholder's Statement of Account receipts. The review should consist of examining the assigned cardholder's Statement of Account for accurate reconciliation, appropriate purchases, and accounting classification assignments.

g. Statistical Sampling. Agencies opting to use statistical sampling for validating invoices or travel vouchers should ensure that the amounts paid are reasonable and that processing costs are kept as low as possible. Policies and procedures for implementing statistical sampling for travel vouchers should be in accordance with DLMS 7, Chapter 1 and for invoices, 31 U.S.C 3521 (c): A disbursing or certifying official relying in good faith on the statistical sampling procedures to disburse funds or certify a voucher for payment will not be liable for losses to the government resulting from payment or certification of a voucher not audited specifically because of the use of the sampling procedure, provided that the agency has diligently carried out collection actions. Specific sampling methods for use in Prompt Payment reporting are described in the Prompt Payment User Guide (Appendix A). All statistical sampling techniques should be referred to the CFO for the Department for review prior to implementation.

h. Direct Deposit/Electronic Funds Transfer (DD/EFT) is a payment mechanism that allows individuals to have their salary, recurring benefits, or travel payments deposited into their checking or savings account through ACH. Some of the benefits derived by the use of DD/EFT are: elimination of storage and postage of Treasury checks; cost savings to the Federal Government on processing and mailing checks; reduction of paperwork; and an effective audit trail for payments not received by recipients.

i. On-Line Payment and Collection System (OPAC) is a Treasury system that allows on-line billing and payment for services and supplies provided by one Government agency for another.

963 Preparation of Vouchers/Invoices for Payment. Before paying vouchers/invoices, agencies must have supporting documentation to assure:

a. Goods or services were ordered by an authorized official, as evidenced by a purchase order, contract, or other authorization.

b. Goods or services ordered have been delivered and accepted, as evidenced by receiving and inspection reports.

c. A proper invoice or bill has been received.

964 Approval and Certification of Payment Documents. Vouchers, voucher schedules, invoices or bills used as vouchers must be certified as legal, proper, and correct for payment by an authorized certifying or disbursing officer. The certification of the above attests to all administrative determinations having been made as required of an approving official.

965 Avoiding Duplicate Payments. Vouchers and invoices should be stamped, marked paid and filed after they have been scheduled for payment. If an original invoice has been lost or destroyed, a duplicate should be obtained. A full explanation of the circumstances of the loss or destruction of the original invoice and of steps taken to prevent duplication of the payment should be added to or attached to the duplicate invoice before it is processed for payment.

966 Statement of Transactions. Payment offices must maintain all accomplished copies of disbursing documents (i.e., SF-1166's, SF-789'S, SF-1081's, etc.) in order to prepare their monthly SF-224 "Statement of Transaction" report. This report contains amounts of vouchers paid or accomplished by Treasury Regional Finance Centers, cash collections received for deposit on SF-215, Deposit Ticket, and vouchers with fixed payment dates such as payrolls.

<u>967 Advances</u>

a. Cash advances by either wire transfer or Treasury check should only be made in amounts necessary to meet immediate disbursing needs in carrying out the program or the agency's mission. When possible, agencies should reduce the need of issuing advances to employees or grantees by making available several cash management mechanisms such as wire transfer, credit cards for purchases, credit cards for travel, third party drafts, etc. Employees who are authorized to issue advances should not be responsible for recording advance transactions into the Department's accounting system.

b. Written policies and procedures on controlling, monitoring, and collecting travel advances can be found in DLMS 7, sections 1-1.9 on TDY travel and section 3-1.11 for relocation travel.

<u>968 Imprest Funds</u>

a. <u>Agency Responsibilities</u>. To the extent possible, agencies should minimize requesting cash from the imprest fund by offering their employees the availability of credit cards for making small purchases, the IMPAC charge card, and a Government contract issued charge card for travel. Additionally, agencies in which imprest funds have been established should maintain an amount commensurate with the authorized purpose of the fund and normal disbursements during an administratively established period. Agencies are responsible for monitoring appropriate accounting and internal controls of assets held in the imprest fund, and to advise cashiers of their duties and provide them with suitable facilities for safeguarding the funds in accordance with the Imprest Fund Handbook (IFH), dated March 1985.

b. <u>Imprest Fund Cashier</u>. In accordance with section 1915 of the IFH, the cashier is responsible for having thorough knowledge of the regulations concerning the use of the imprest fund. Furthermore, the cashier is personally liable for all money in the fund and is required to replace funds if they are lost, stolen or misappropriated, unless relieved in accordance with section 1972 of the IFH.

c. <u>Use of Imprest Funds</u>. Disbursement of funds from the imprest fund must be for claims identified in section 1950 of the

IFH. All claims should include proper signatures of approving officials, supporting documents that are in agreement with the amount requested, accounting codes, and itemized receipts for all individual expenditures in excess of $25.

d. Periodic Reviews. Agencies should appoint an independent and responsible employee to make unannounced verification of cash balances. This employee should have some experience in auditing, accounting, finance or other similar qualifications. Reviews shall be performed periodically but not less than quarterly. Additionally, reviews should provide reasonable assurance that disbursing procedures and controls are effective, and are necessary support for reports required by the Federal Manager's Financial Integrity Act. Any unauthorized use of, irregularities in, improper accounting for, or imprest fund disclosed by an agency verification or audit, shall be reported promptly to the CFO for the Department so that any necessary corrective action may be taken and the accountability records of the disbursing officer may be properly adjusted. In addition to reporting the above, a report should be prepared stating whether prescribed procedures and requirements were being followed and should recommend any action considered to be necessary or desirable for preventing the recurrence of irregularities in administrating the fund.

970 GOVERNMENT ON-LINE ACCOUNTING LINK SYSTEM (GOALS). Use of GOALS allows agencies to transmit and receive accounting and financial data through a commercial timesharing service via a telecommunications network. Administrative procedures for using GOALS and its components must be in accordance with the "GOALS Resource Book" that is prepared by the Financial Management Service Division of Treasury.

980 CASH MANAGEMENT REVIEW REPORTS OF THE DEPARTMENT OF TREASURY

981 Cash Management Initiatives and GOALS serve as the basis for Treasury to identify and implement improvements for collections and/or disbursements of agencies' cash flow activities throughout the fiscal year. Treasury's objective for the use of this report is to realize interest savings from using sound cash management techniques and innovative technology. Therefore, during the first quarter of each fiscal year, agencies are required to submit to the CFO for the Department their estimated quarterly (4 quarters) dollar savings GOALS for the

current fiscal year. The CFO for the Department records the agencies' dollar savings GOALS on the Department's cash flow screens that are submitted to Treasury.

982 Cash Management Agency Certification is used to report the substantial progress and/or improvements agencies have made in collecting and disbursing funds. Treasury reviews agencies' GOALS report and compares this data to what was actually reported on the cashflow screens. Results of the review allow Treasury to determine if agencies' cash flow activities meet the TFM standards. Periodic review meetings should be scheduled between agencies and the CFO for the Department to improve cash flow activities and bring them into compliance with TFM standards.

983 Cash Flow Screens are to be used by agencies to report their quarterly actual dollar savings to the CFO for the Department. At the end of each fiscal year, the actual dollar savings are compared with the projected savings that were provided in section 982 above. Results of the comparison are recorded in section 981 above.

990 RESPONSIBILITIES OF ACCOUNTABLE OFFICERS/OFFICIALS

a. Certifying Officers (COs) are responsible for the existence or correctness of the computations and the facts that are stated in a voucher along with supporting records, and for the legality of the proposed payment under the appropriation or fund involved. Additionally, the CO is held accountable for repayment of any illegal, improper, or incorrect payment certified by him/her in accordance with 31 U.S.C. 3528.

b. Disbursing Officers (DO) shall disburse money only as provided by a voucher certified by the head of the agency or by an authorized certifying official. The DO is accountable for ensuring that a voucher is in proper form and is certified and approved.

c. Approving Official (AO) is someone who is cognizant of the facts stated on the voucher or voucher schedule (SF-1166). This person is also responsible for approving the amount of funds that are necessary to accomplish the purposes of the Government's mission effectively and economically.

d. Central Payment Officer (CPO) is responsible for scheduling payment of vendor invoices that are released by SFOs through the A/P subsystem. The CPO shall approve these invoices for payments on an SF-1166 in accordance with Chapter 19 of the DOLAR$ Procedures, Volume I, Operating Procedures.

e. Procurement Officer has the authority to assign responsibilities for procurement and grant operations in accordance with DLMS-2, paragraph 814.

f. Contracting Officer is assigned procurement responsibilities, and subject to such regulations, policies, and procedures identified in DLMS-2, paragraph 814.

ATTACHMENT

DEFINITIONS

a. Automated Clearing House (ACH) is a central distribution point for transferring funds electronically for participating depository financial institutions. Instead of payments being sent separately to vendors, ACH transactions are accumulated and sorted by destination for transmission during a predetermined period. Payments made through ACH should be prepared in accordance with section 960 of this chapter.

b. Cash Flow Process. A process of collecting or disbursing moneys for agency programs or operations, as well as balances held outside Treasury.

c. Cash Flow Report. A document summarizing each unique cash flow activity and corresponding opportunities for new cash management improvements.

d. Cash Management Mechanism. Practices and techniques designed to accelerate and control collections, ensure prompt deposit of receipts, improve control over disbursement methods, and eliminate idle cash balances.

e. Cash Management Improvements Fund. A revolving fund into which charges against an agency for noncompliance with collection and deposit improvement initiatives are deposited. Treasury uses money from this fund to help with the payment of expenses incurred in developing and implementing selected projects that provide for improved methods of collection and deposit.

f. Cash Management Officer. An individual who has been designated by the agency to be responsible for developing and monitoring cash flow initiatives.